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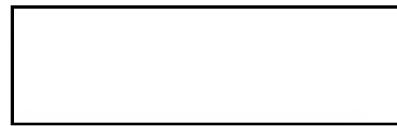
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Danish Prime Minister Faces Uncertain Future

Danish Prime Minister Hartling yesterday told the new parliament, elected on January 9, that he will continue to lead a single party minority liberal government. This unpalatable situation was forced on Hartling when he failed to find a coalition partner after exhaustive negotiations during the past two weeks. His prospects are dim, however, for the negotiations not only failed once again to turn up support for his controversial economic salvage program, but also turned up no support even for the new government's budget.

If the proposals are voted down next week, Hartling probably will have to resign, opening the door either to another election or to an attempt by the Social Democrats to form a government. Hartling is gambling that either prospect will be so distasteful to the other parties that a sufficient number will rally to his program.

If the Social Democrats take over the government reins, they will probably not be able to put together a majority. Although the Social Democrats are Denmark's largest party with 53 of the 179 seats in parliament, the proliferation of political parties and the socialist-non-socialist split make cooperation difficult. Minority status is likely to be accompanied by the same kinds of problems that confronted Hartling during his 13-month term.

A Social Democratic or a Moderate Liberal government will have to tackle Denmark's worsening economic problems immediately. The Social Democrats oppose Hartling's economic package which calls for a wage and price freeze, suspension of the wage-index link, and strict control of agricultural prices. The Social Democrats' economic plan permits pay raises for low-income groups and cost of living rises. [Redacted]

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Portuguese Cabinet Approves Labor Law by  
Narrow Margin

The Portuguese cabinet completed deliberations yesterday on the controversial unitary labor law, which appears to have caused divisions within the Armed Forces Movement as well as the three-party coalition.

The cabinet vote reportedly ended in a tie, which was broken by Prime Minister Goncalves who favors a single labor confederation. The final text of the law is not yet available, but Socialist Party leader and Foreign Minister Soares told Ambassador Carlucci yesterday that considerable changes have been made in the final draft which will enable the Socialists to work freely within the labor movement despite Communist control of its superstructure. Soares' account seems to contradict earlier embassy sources indicating that the version considered by the cabinet was more restrictive than that approved by the Armed Forces Movement.

Reports circulating in Lisbon indicate that the Movement was not as united on this issue as their press releases suggested. The vote earlier this month in favor of the statute in the Movement's 20-member Superior Council is said to have been 11 to 9. Although this balloting cannot be confirmed, the results seem to fit with other reports of the uncertain military support for the law. According to these accounts, the Movement's 200-member Assembly failed to reach an agreement in an unruly session and passed the problem to the Superior Council.

Popular support for the law, never strong, has dwindled. Press coverage of the dispute has cast considerable doubt on Communist claims that the law had solid popular backing. Several unions have expressed their displeasure with the legislation and the Communists' refusal to participate in a television debate on the issue also has tarnished their image.

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Many moderates within the Movement may feel uncomfortable about the apparent alliance between themselves and the Communists on this issue. As if to dispel this notion, the Superior Council issued a communique last weekend restating their determination to hold elections on schedule. The Communists have come out in favor of postponing elections and have been searching for ways of blocking them.

The law will now be considered by the legislative Council of State, fourteen of whose twenty-one members are military. With the promulgation of the law virtually assured, the Socialist leadership is planning to meet this Sunday to decide whether or not they will remain in the government. Soares is opposed to withdrawing, although he reports that there is considerable pressure within the party to do so.

There are also reports of dissension within the Popular Democratic Party over their future plans. According to one source, the top leadership of the party wants to withdraw, but the party's political commission is opposed. Rather than risk a public split before elections, the leaders have backed down. The response to a party rally, scheduled for last night, may indicate how well the party will hold together.

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PLO Moves to Enhance Its Status

The Palestine Liberation Organization has asked the UN to allow it to establish an observer mission in Geneva. Once the UN forwards the PLO request to the Swiss government, Bern will have little choice but to comply.

The PLO has focused on Geneva as the first target in its drive to formalize the observer status it recently acquired in the UN General Assembly because of Geneva's position as European headquarters for the UN and because the city is frequently the site of major international conferences. Among the UN agencies in Geneva are major humanitarian organizations such as the UN High Commissioner for Refugees, UNICEF, and the World Health Organization.

The second session of the diplomatic conference that is attempting to update and reaffirm the Geneva conventions on warfare is scheduled to open in Geneva next week. Possibly as a prelude to a formal request for observer status at this conference, the PLO last month notified the Swiss government that it was acceding to the Geneva conventions on warfare. The PLO move marks the first time that a liberation movement has offered to accede to the conventions and the Swiss are reportedly reluctant to accept the PLO's accession. They have argued that the PLO is only an organization and not a country or "power" within the meaning of the Geneva convention rules.

The PLO already has observer status at some specialized agencies--the International Telecommunications Union, the Universal Postal Union, WHO and UNESCO--and its application for observer status at the International Labor Organization will probably be considered this year, possibly as early as next month, by the ILO's Governing Board.

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The PLO is not, however, a full member of any UN organ and another reason for its move to Geneva at this time may be to facilitate its attempts to gain this status. The WHO--unlike other UN specialized agencies--requires only a simple majority vote to grant membership and Geneva offers the PLO a convenient platform for its lobbying activities.

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Prominent Spanish Politician Tests Political Climate

Manuel Fraga Iribarne, a former minister of information who is now Spanish ambassador to London, arrived in Madrid Tuesday to sound out the possibilities of forming a political association. Fraga is an ambitious moderate who would like to institute liberal reforms within the present regime. He has a team of supporters within the government and in the business community. He would like to be prime minister, if not now, at least in the post-Franco period.

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[redacted] Fraga sent Prime Minister Arias a draft political program last month together with a letter stipulating guarantees Arias must give before Fraga will form an association. The document calls for sweeping political, economic, and social reforms that Arias could hardly be expected to accept completely. More realistic goals are Fraga's requirement for guarantees of free contact with other political figures and groups and free access to the press.

Prime Minister Arias may be interested in bargaining on some points, however, because he would like someone of Fraga's stature to launch a political association. The law on such associations became effective on January 12, but no significant group has applied. Moderate and liberal groups fear that their activities would be restricted by regulations of Franco's National Movement, to which the statute assigns supervisory responsibilities.

Fraga was scheduled to see the prime minister yesterday and has also met with his political supporters from Barcelona and Madrid. If enough of Fraga's conditions are met he is expected to announce this week his intention to form an association. His decision can be taken as a bellwether of the political climate, favorable for liberalization if he announces his political association, unfavorable if he holds back.

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EC Cautious in Approach to CEMA

The EC Commission delegation that is going to Moscow in early February for the community's first formal talks with CEMA is wary of setting the stage for a high-level political exchange between the two organizations.

The EC had accepted the CEMA invitation for talks despite concern in the West that CEMA could use such discussions to gain a voice in speaking for the East Europeans in their relations with the community. The Commission is thus holding back on sending its president to Moscow.

The Commission's argument that only the promise of "substantive" exchanges would justify a high-level visit seems to contradict its traditional position that CEMA does not have the same broad jurisdiction over trade matters which the Commission exercises.

For the Moscow discussions the Commission is proposing an exchange of statistics, long-term economic projections, and increased opportunities for a dialogue between the two organizations. These topics are not out of line with the views given to the US Embassy in Moscow recently by a leading economist of the Soviet Institute for World Economy and International Relations.

The economist, a student of EC-CEMA relations, believes that cooperation will initially be limited to an exchange of information and joint research on specific projects. The Soviet economist envisaged more ambitious cooperation projects later, including the linking of electric power grids, increased exports of oil and coal to the EC, and cooperation on pipelines, railways, and waterways.

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Most of these possibilities for cooperation imply an EC unity on energy policies that does not yet exist. In acknowledging this, the Soviet economist seemed to suggest that EC-CEMA talks would foster internal agreements on both sides.



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